

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 1C Contracts (MC2012-6)
Negotiated Service Agreement

Docket No. CP2016-193

PUBLIC REPRESENTATIVE COMMENTS ON A
POSTAL SERVICE NOTICE CONCERNING
AN ADDITIONAL GLOBAL PLUS 1C
NEGOTIATED SERVICE AGREEMENT

(June 13, 2016)

The Public Representative hereby provides comments pursuant to Order No. 3359.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Notice of filing of an additional Global Plus 1C contract to be added to the competitive products list.²

Customers Global Plus 1C contracts are Postal Qualified Wholesalers (PQWs) and other large business that offer mailing services to end users for shipping articles via International Priority Airmail, International Surface Air Lift, Priority Mail Express International Priority Mail International and/or Commercial ePacket service. Prices offered under the contracts may differ depending on the volume or postage commitments made by the customers. *Id.* at 5.

Prices and classifications "not of general applicability" for Global Plus 1 contracts were previously established by Governors' Decision No. 08-8.³ In Order No. 85, the

¹ PRC Order No. 3359, Notice and Order on Request Concerning Global Plus 1C Contracts, June 8, 2016.

² Notice of the United States Postal Service of Filing A Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal June 7, 2016 (Notice).

³ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements,

Commission authorized the addition of the Global Plus 1C product to the competitive product list and determined that the Global Plus 1 contracts filed in Docket Nos. CP2008-9 and CP2008-10 should be included within the product.⁴ The Commission also determined that the Global Plus 1 contracts filed in Docket Nos. CP2009-46 and CP2009-47 should be included in the Global Plus 1 product.⁵ Subsequently, the Commission approved the Global Plus 1A and Global Plus 1B products, and included the contracts filed in Docket Nos. CP2010-67 and CP2010-68, and Docket Nos. CP2011-39 and CP2011-40, within those products, respectively.⁶

In this proceeding, the Postal Service requests the inclusion of an additional Global Plus 1C product to the competitive products list. Notice at 1. The Postal Service has designated the Global Plus 1C contracts filed in Docket Nos. CP2012-12 and CP2012-13 as “baseline” agreements for comparison of potentially functionally equivalent agreements under the Global Plus 1C grouping. *Id.* at 4

This additional Global Plus 1C contract is scheduled to become effective on July 16, 2016, and remain in effect for a period of one year if the effective date of the agreement is the first of the month. *Id.* at 3.

COMMENTS

The Public Representative has reviewed the Postal Service’s Notice and the Statement of Supporting Justification (Attachment 2), the contracts, and the Postal Service’s proposed revised text of the Mail Classification Schedule (MCS) for Global

Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors decision No. 11-6), March 22, 2011.

⁴ PRC Order No. 85, Order Concerning Global Plus Negotiated Service Agreements, Docket Nos. C2008-8, CP2008-9, and CP2008-10, June 27, 2008.

⁵ See PRC Order No. 265, Order Concerning Filing a Functionally Equivalent Global Plus 1 Contract Negotiated Service Agreement, Docket No. CP2009-46, July 31, 2009; *see also*, PRC Order No. 266, Order Concerning Filing a Functionally Equivalent Global Plus 1 Contract Negotiated Service Agreement, Docket No. CP2009-47, July 31, 2009.

⁶ See PRC Order No. 504, Order Approving Functionally Equivalent Global Plus 1A Contracts Negotiated Service Agreement, Docket Nos. MC2010-26, CP2010-67 and CP2010-68, July 30, 2010; *see also* PRC Order No. 622, Order Adding Global Plus 1B to the Competitive Product List and Approving Functionally Equivalent Global Plus 1B Contracts, Docket Nos. MC2011-7, CP2011-39, and CP2011-40, December 23, 2010.

Plus Contracts. The Public Representative has also reviewed the supporting financial models filed separately under seal for each of the Global Plus 1C contracts that accompanied the Postal Service's Notice. Based upon that review, the Public Representative concludes that the Global Plus 1C contracts satisfy the criteria of section 3642(b), concerning the classification of new competitive products, and comply with requirements section 3633(a), concerning rates for competitive products. In addition, the Public Representative believes that treatment of the instant functionally equivalent contracts as baseline agreements is appropriate.

Product Classification. Under 39 U.S.C. § 3642(b) the criteria governing Commission review are whether the product (1) qualifies as market dominant, (2) is covered by the postal monopoly and therefore precluded from classification as a competitive product, and (3) reflects certain market considerations, including private sector competition, the impact on small businesses, and the views of product users. With respect to the criteria of section 3642(b)(1) and (2), the Postal Service makes reasonable arguments that the instant Global Plus 1C contracts, which involve outbound international mail, are neither market dominant nor covered within the postal monopoly. Notice at 8-9. The Statement of Supporting Justification provides information addressing the additional considerations listed in section 3642(b)(3). For these reasons, the Public Representative concludes that the Global Plus 1C product satisfies the criteria of section 3642(b) for classification as competitive and therefore the product should be added to the competitive products list.

Product Costs. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. In this proceeding, the Postal Service asserts that the Contract should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. Thus this new Global Plus 1C contract is in compliance with the requirements of 39 U.S.C. § 3633." Attach. 2 at 9 The financial model accompanying the Postal Service's Request

indicates that the negotiated prices in this Global Plus 1C contract should generate sufficient revenue to cover costs.

Functional Equivalence. In its Notice, the Postal Service explains that the instant Global Plus 1C contract is the immediate successor to the Global Plus 1B contracts in Docket Nos. CP2011-39 and CP2011-40. The Postal Service also states that the Global Plus 1C contract under consideration is substantially similar to the Global Plus 1C baseline contracts files in Docket Nos. CP12012-12 and CP2012-13. There are differences between this contract and the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13. However, the Postal Service maintains that these differences “do not affect the market characteristics of the Global Plus 1C product.” *Id.* It therefore asserts that the instant contract is functionally equivalent to the baseline contracts. *Id.* at 5. The Public Representative agrees that these differences do not alter the conclusion that the two Global Plus 1C contracts are functionally equivalent.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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